BUDGET 2017-2020

Kou-kamma Municipality (EC109)

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Table of Contents

Part 1- Annual Budget 2

1.1 Mayor's Report 2

1.2 Council Resolutions 4

1.3 Executive Summary 6

1.3.1 Overview of the annual budget process 9

1.3.2 Overview of budget related- policies 9

1.3.3 Overview of budget assumptions 9

1.4 Operating Revenue Framework 12

1.5 Operating Expenditure Framework 16

1.6 Capital Expenditure 19

Part 2: Supporting Documentation 21

2. Municipal Manager's quality certificate 22

Annexure A: A-Schedule v2.8 (2013/14-2016/17)

Annexure B: A-Schedule v6.1 (2017/18-2019/20)

Annexure C: Budget related policies

Annexure D: Tariff book 2017/18

Annexure E: Service level standard

Part 1- Annual Budget

1.1 Mayor's Report

The 2016 Medium Term Budget Policy Statement emphasised that the global recovery from the 2008 financial crisis remains precarious. This coupled with the increase in unemployment to 26.6 per cent, continue to pressurise municipal revenue generation and collection hence a conservative approach was taken.

There is considerable variation in economic performances between countries and economic trends are likely to be volatile. With this in mind, council adopted a revenue enhancement plan; this is comprehensive plan to enable the municipality to become long term financial sustainable.

We as management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Kou-kamma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with available resources .We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitable to all communities.

The 2017/18 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The 2017/18 MTREF has been prepared using realistically anticipated estimates and are guided by guidelines as per the National Treasury Budget Circulars.

The main aim of the budget is **SERVICE DELIVERY**. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the budget 2017/18 budget is as follows:

- Total operating income- R147 997 855.92
- Capital Budget- R47 638 076.32
- Total operating expenditure – R123 913 913.95

The capital budget would be financed mainly from capital grants received from other spheres of government.

The operating budget is extremely constrained and focuses on service delivery. The reason for this is the limiting income realistically anticipated.

Let us continue to work together to build a better community of Kou-kamma thus achieving a better life for all.

THE MAYOR
COUNCILLOR S VUSO

1.2 Council Resolutions

On the 30th May 2017 the Council of Kou-kamma Local Municipality will meet in Kareedouw, to consider the approval of the Annual budget of the municipality for the financial year 2017/18 MTREF. It is recommended that Council approves and adopts the following resolutions:

1. The Council of Kou-kamma Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003) approves:
   1.1. The Annual Budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
      1.1.1. Budgeted Financial Performance(revenue and expenditure by standard classification);
      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
      1.1.4. Multi-year and single-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.

   1.2. The financial position, cash flow budget, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are approved as set out in the following table:
      1.2.1. Budgeted Financial Position;
      1.2.2. Budgeted Cash Flows
      1.2.3. Cash backed reserves and accumulated surplus reconciliation;
      1.2.4. Asset management; and
      1.2.5. Basic service delivery measurement.

2. The Council of Kou-kamma Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act, (Act 32 of 2000) approves:
   2.1. The property rates tariffs- as set out in Annexure D,
   2.2. The tariffs for electricity- as set out in Annexure D
   2.3. The tariffs for Sanitation-as set out in Annexure D
   2.4. The tariffs for refuse- as set out in Annexure D and
   2.5. Any other municipal tariffs as set out in the Tariff book

3. The Council of Kou-kamma, acting in terms of Section 75A of Local Government: Municipal Systems Act (Act 32 of 2000) approves the tariffs for other services, as set out in Annexure C.

4. For Council to adopt the Service Level Standards as required by the National Treasury in MFMA Circular 78.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Section 21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with the co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per Section 68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. The budget was drafted in conjunction with the IDP.

Furthermore, the National Treasury has regulated a Municipal Standard Chart of Accounts, which is effective from 01 July 2017. This requires all municipalities and municipal entities to transact live on the new chart of accounts. It is therefore a requirement that the Draft budget be Mscoa complaint.

The annual budget was prepared in accordance to the National Treasury's content and format as contained in Circular 85 & 86. The two concepts considered were:

1) That the budget must be funded according to Section 18 of the MFMA(as mentioned above), and
2) That the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality.
- Is achievable in terms of agreed service delivery and performance targets.
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions.
- Does not jeopardise the financial viability of the municipality(ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds are transferred from low-to high- priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have items'.

The Municipality has embarked on implementing a range of revenue collection strategies to optimise the collection of debt owed by consumers. The Municipality has also adopted a conservative approach when projecting its expected revenue and cash receipts.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy
- Aging and poorly maintained roads and electricity and water infrastructure.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality'
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents,
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.
- Low collection rates and
- Cash flow challenges

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget adopted as upper limits for new baselines for the 2017/18 and annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to National and Provincial funded projects unless the necessary grants to the municipality are reflected in the National and Provincial budget and have been gazetted as required by the annual Division of Revenue Act (DoRA) or MTBPS.

Table 1 Consolidated Overview of the 2017/18 MTREF

DESCRIPTION	2016/17 ADJUSTMENTS BUDGET	2017/18	Budget year +1 2018/19	Budget year +2 2019/20
Operational Income	-141 645 089.60	-147 997 855.92	-132 547 238.57	-142 876 250.99
Operational Expenditure	140 657 427.51	123 913 913.95	130 659 926.96	138 533 978.73
Capital Expenditure	23 156 670.35	47 638 076.32	26 784 031.62	30 633 208.59
(SURPLUS) / DEFICIT	**22 169 008.26**	**23 554 134.35**	**24 896 720.00**	**26 290 936.32**
Depreciation	22 169 008.26	23 554 134.35	24 896 720.00	26 290 936.32
NET (SURPLUS) / DEFICIT	-	-	-	-

Total operating revenue has increased by 4.0 per cent or R6 253 million for the 2017/18 financial year compared to the 2016/17 Adjustments Budget. This is mainly due to the fact that the municipality has adopted a revenue enhancement plan, and envisage collecting additional revenue. For the two outer years, operational revenue for rates and services will increase by 10.0 % and 8.0 % respectively.

Total operating expenditure for the 2017/18 financial year has decreased by R16 743 million or 12.0 per cent, when compared to the 2016/17 Adjustments Budget. This is mainly due to belt tightening measures that were implemented during the latter part of the 2016/17 financial year. For the two outer years, operational expenditure will increase by 5.0% and 6.0 % respectively.

1.3.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations (MBRR) states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

1.3.2 Overview of budget related- policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following budget polices will be tabled for consideration with the draft budget:

- Supply chain management
- Credit Control and Debt Collection
- Indigent Support
- Rates
- Write off
- Tariff
- Virement

1.3.3 Overview of budget assumptions

1.3.3.1 External factors

Due to the slowdown of the economy, companied by the geographical are of the municipality; financial resources are limited as result of slow/no economic growth, this therefore reduces payment levels by consumers. The high levels of unemployment, resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.3.3.2 General Inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTERF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses.
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.3.3.3 Collection rate for revenue services

The current collection rate of the municipality is below 50%, this necessitates aggressive revenue enhancement strategies. Therefore base assumption is that tariff and rating increases will increase at the same rate as CPI.

As part of the revenue enhancement strategies to be implemented, an action plan is developed by the finance department to address the low collection rate. In addition to these initiatives, there are various investments within the LED section, which prime focus will be on job creation, this is critical as high income will assist with the decrease in the indigent book and increase in the collection rate of the municipality.

1.3.3.4 Salary increases

In accordance with the guidance in the MFMA circular 86 as the Salary wage agreement that was signed, salaries were adjusted by CPI plus 1%. An additional 1% was including accounting for salary notch increases.

1.3.3.5 Impact of national, provincial and local policies

In compilation of the budget for 2017/18, cognisance was taken of Provincial and National strategies.

1.3.3.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 73.7 per cent is achieved on Operating expenditure and 70 per cent on the Capital Programme for the 2016/17 of which performance has been factored into the cash flow budget.

This basis has thus been used as a benchmark for the 2017/18 annual budget.

1.3.3.7 Cost containment

Due to cash flow constraints within the municipality, operational costs are kept at a minimum. Officials do not make use of air transport and workshops, trainings and other events are not attended, unless special permission is granted by the Municipal Manager. All Travel and subsistence claims, must be accompanied by a pre-approval (trip authority) as well as a memo directed to the CFO as to why an official attended a specific event. Telephone usage has set limits per employees and no colour printing is made use of.

1.4 Operating Revenue Framework

For Kou-kamma to continue improving the quality of services provided to its community it needs to generate the required revenue. The municipality is currently faced with a collection rate of <50%, in these tough economic times strong revenue management is fundamental. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/ calculating the revenue requirement of each service;
- The municipality's Property Rates Act,2004 (Act No. 6 of 2004) (MPRA) and amendment of 2014.
- Increase ability to extend new services and recover costs.
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff Policies of the Municipality.

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	12 019	12 758	13 549
Service charges - electricity revenue	2	–	–	–	–	–	–	–	1 453	1 544	1 643
Service charges - water revenue	2	–	–	–	–	–	–	–	9 533	10 077	10 641
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	5 071	5 360	5 660
Service charges - refuse revenue	2	–	–	–	–	–	–	–	2 980	3 150	3 326
Service charges - other									–	–	–
Rental of facilities and equipment									382	395	418
Interest earned - external investments									35	37	39
Interest earned - outstanding debtors									9 461	10 000	10 560
Dividends received									–	–	–
Fines, penalties and forfeits									3 000	3 171	3 349
Licences and permits									–	–	–
Agency services									2 743	2 900	3 062
Transfers and subsidies									49 450	49 355	52 393
Other revenue	2	–	–	–	–	–	–	–	6 790	8 920	9 654
Gains on disposal of PPE									75	79	84
Total Revenue (excluding capital transfers and contributions)		–	–	–	–	–	–	–	**102 991**	**107 746**	**114 378**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)									17 812	19 437	26 095
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)									27 694	5 922	3 033

In line with the formats prescribed by the Municipal Budget and Reporting Regulations (MBRR), capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of operating surplus/deficit.

As the municipality is largely grant dependant, most revenue is from the National government, comprising of 64.1 per cent. All income from these grants has been gazetted as part of the Division of revenue act. Secondly revenue generated from rates and services charges also forms a significant percentage of the revenue basket. In the 2017/18 financial year, revenue from services charges is estimated to total R19 037 million and property rates at R12 081 million.

The other item contributing to revenue is “other income' which consists of various items such as income received from permits and licences, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the

tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Table 3 Operating and Capital Grants Receipts

Grants	2017/18	2018/19	2019/20
Capital			
Direct			
MIG	15 592 000.00	16 249 000.00	16 942 000.00
INEP	3 000 000.00	4 000 000.00	10 000 000.00
Sarah Baartman	2 500 000.00	-	-
Indirect			
RBIG	5 000 000.00	4 000 000.00	1 000 000.00
INEP	1 922 000.00	1 922 000.00	2 033 000.00
Sanral	18 272 184.71	-	-
	46 286 184.71	**26 171 000.00**	**29 975 000.00**
Operational			
Equitable share	42 375 000.00	45 402 000.00	48 090 000.00
FMG	1 900 000.00	2 155 000.00	2 415 000.00
DSRAC	932 000.00	986 000.00	1 041 000.00
Enviromental health	963 000.00	-	-
EPWP	1 000 000.00	-	-
Sarah Baartman	1 500 000.00		
	48 670 000.00	**48 543 000.00**	**51 546 000.00**
Total	**R 94 956 184.71**	**R 74 714 000.00**	**R 81 521 000.00**

As indicated in the table above, is a breakdown of both capital and operational grants to be received in the 2017/18 MTREF.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the ratio for the non-residential categories, Public Service Infrastructure and agricultural properties relative to residential properties to be 0.251:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four years for inclusion in the General Valuation Roll. The municipality has an updated valuation roll; however a supplementary valuation will have to be completed.

Table 4 Comparison of proposed rates to be levied for the 2017/18 financial year
Tariffs are attached as a separate appendix to the report.

1.4.2 Sale of Electricity and Impact of Tariff Increases

During the 2015/16 budget process, the decision was taken concluded that the step- tariff structure will need to be implemented; an application in this regard was made to NERSA. The decision was kept constant for the 2016/17 and 2017/18 financial years. Registered indigents will again be granted 50 kWh per 30 day period free of charge.

The following tables show the proposed changes to the current tariff structure:

Table 4: Tariff structure (Electricity)

IBT Structure	2016/17		2017/18	
Prices per cent (Excl VAT)				
Block 1 (0 - 50Kwh)	R	0.85	R	0.86
Block 2 (51 - 350Kwh)	R	1.08	R	1.10
Block 3 (351 - 600Kwh)	R	1.61	R	1.55
Block 4 (>600Kwh)	R	1.95	R	1.82

With the above increases the aim is to both increase revenue and encourage consumers to use electricity wisely as our country's national grid is under severe pressure. No basic charge will be levied for electricity. These tariffs are in line with the guidelines as prescribed by NERSA, an application for approval has been submitted to the regulator.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Balanced budget constrain (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the assets renewal and backlogs eradication.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

Table 5 Summary of operating expenditure by standard classification item

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Expenditure By Type											
Employee related costs	2	–	–	–	–	–	–	–	47 155	49 571	52 843
Remuneration of councillors									3 215	3 453	3 681
Debt impairment	3								10 345	10 953	11 594
Depreciation & asset impairment	2	–	–	–	–	–	–	–	23 554	24 897	26 291
Finance charges									825	872	921
Bulk purchases	2	–	–	–	–	–	–	–	4 803	5 077	5 361
Other materials	8								6 935	7 254	7 660
Contracted services		–	–	–	–	–	–	–	6 402	6 767	7 146
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	–	–	–	–	–	–	–	20 679	21 816	23 037
Loss on disposal of PPE											
Total Expenditure		–	–	–	–	–	–	–	123 914	130 660	138 534

The budgeted allocation for employee related costs for the 2017/18 financial year totals R47 155 million, which equals 38.06 per cent of the total operating expenditure. Circular 70 guidelines have been implemented with regards to the percentage of employee costs to operational expenditure is between 30-40%, the municipality is thus within these limits. Furthermore as per Circular 86, a guideline increase of CPI + 1% was proposed. In addition to this a further 1% was accounted for the salary notch increases.

The cost associated with the Remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of

Public Office Bearers Act, 1998 (Act 20 of 1998). Amounts paid to councillors are in line with these gazetted amounts.

The provision of debt impairment was determined based on an annual collection rate of 65.0%. The revised collection rate is based on the revenue enhancement plan that was adopted by council.

While the expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy.

Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 23 554 million for the 2017/18 financial year and equate to 19.0 per cent of the total operational expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increase of 0.31 per cent has been factored into the budget appropriations and directly informs the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of materials for maintenance. In line with the Municipality's repairs and maintenance the expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

The following are the main expenditure categories for 2017/18 financial year:

- Employee related costs
- Remuneration of Councillors
- Debt impairment
- Depreciation and Asset Impairment
- Bulk Purchases
- Transfers and grants

1.5.1 Free Basic Services: Basic Welfare Package

The welfare package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services that households are required to register in terms of the Municipality's Indigent Policy. An amount of R16 611

million has been allocated from the 2017/18 equitable share to provide relief to the indigent consumers. Taking cognizance of the plight of the poor and affordability of basic services, 6kl of free water and 50kwh of electricity per month, refuse, sanitation; grave site as well as rebates on rates is applicable.

1.6 Capital Expenditure

Capital expenditure for the next three years will be funded solely by Grants and other external fund sources. This is due to significant constraints of Council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had on the cash flow of the municipality. The Capital Grants to be received are highlighted in the Executive Summary above.

Table 6 Capital expenditure by standard classification

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital Expenditure - Functional											
Governance and administration		-	-	-	-	-	-	-	1 372	1 425	1 505
Executive and council									8		
Finance and administration									1 364	1 425	1 505
Internal audit											
Community and public safety		-	-	-	-	-	-	-	760	10 123	575
Community and social services									260	10 123	575
Sport and recreation											
Public safety									500		
Housing											
Health											
Economic and environmental services		-	-	-	-	-	-	-	5 349	3 767	171
Planning and development											
Road transport									5 349	3 767	171
Environmental protection											
Trading services		-	-	-	-	-	-	-	12 463	5 547	25 349
Energy sources									3 000	4 000	10 000
Water management									9 463	1 547	9 849
Waste water management									-	-	5 500
Waste management											
Other											
Total Capital Expenditure - Functional	3	-	-	-	-	-	-	-	19 944	20 862	27 600
Funded by:											
National Government									19 161	20 862	27 600
Provincial Government									240		
District Municipality									500	-	-
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	-	-	-	-	19 901	20 862	27 600
Public contributions & donations	5										
Borrowing	6										
Internally generated funds									43	-	-
Total Capital Funding	7	-	-	-	-	-	-	-	19 944	20 862	27 600

Table A5 as per the MBBR excludes all indirect capital expenditures that will be incurred during the 2017/18 financial year.

The table below highlights total service delivery project planned for the next financial year

Table 7 Capital expenditure by project

Project	Cost 2017/18
Purchase of 3 refuse removal vechiles	R 2 500 000.00
Stormsriver library	R 239 680.81
Kareedouw fire station	R 250 000.00
Joubertina fire station	R 250 000.00
Misgund Bulk Water supply	R 5 000 000.00
Louterwater WTW	R 6 355 155.77
Refurbishment of coldstream bulk water supply	R 57 534.00
Replacement of low pressue pipes in Stormsriver	R 3 050 398.05
Upgrading of Internal roads	R 23 473 496.89
Snyklip Electrification	R 148 000.00
Coldstream_Upgrading of MV substation	R 3 000 000.00
Mandela Park Electrification	R 1 922 000.00
	R 46 246 265.52

Part 2: Supporting Documentation

Table 12 MBRR Table A7- Budgeted Cash Flow Statement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates									7 812	8 293	8 807
Service charges									12 374	13 512	14 277
Other revenue									15 325	18 538	19 775
Government - operating	1								49 450	49 355	52 393
Government - capital	1								17 812	19 437	26 095
Interest									6 184	6 536	6 903
Dividends									–	–	–
Payments											
Suppliers and employees									(89 190)	(93 938)	(99 729)
Finance charges									(825)	(872)	(921)
Transfers and Grants	1								–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	-	-	-	-	**18 943**	**20 862**	**27 600**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									–	–	–
Decrease (Increase) in non-current debtors									–	–	–
Decrease (increase) other non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets									(19 944)	(20 862)	(27 600)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	-	-	-	-	**(19 944)**	**(20 862)**	**(27 600)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									6 000	6 000	6 000
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing									(6 000)	(6 000)	(6 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	**-**	**-**	**-**
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	-	-	-	-	**(1 001)**	**0**	**(0)**
Cash/cash equivalents at the year begin:	2								**1 001**	**(0)**	**(0)**
Cash/cash equivalents at the year end:	2	-	-	-	-	-	-	-	**(0)**	**(0)**	**(0)**

Explanatory notes to Table A7- Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows be expected level of cash inflow versus cash out-flow that is likely to result from the implementation of the budget.

2. Municipal Manager's quality certificate

I, **Pumelelo Kate**, Municipal Manager of Kou-kamma Local Municipality, hereby certify that the 2017/18 Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: PUMELELO KATE

Signature

Date: 30 MAY 2017